Robert L. McDonald

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Current Position

Senior Associate Dean: Faculty and Research and Erwin P. Nemmers Professor of Finance, Kellogg School of Management, Northwestern University.

Education

- B.A. with Highest Honors in Economics, University of North Carolina at Chapel Hill, December 1975.
- Ph.D. in Economics, Massachusetts Institute of Technology, June 1982.

Teaching and Administrative Appointments

- Boston University School of Management, Assistant Professor, Department of Finance and Economics, September 1981-August 1984.
- University of Chicago, Graduate School of Business, Visiting Associate Professor, July 1989 - June 1990.
- Northwestern University, J. L. Kellogg School of Management, Finance Department.
  - Assistant Professor, September 1984 - August, 1987
  - Associate Professor, September 1987 - August 1991
  - Professor, September 1991 - present.
  - Finance Department Chair, September 1991 - August, 1994
  - Acting Director of Kellogg Computer Services, May 1993 - Sept. 1995
  - Northwestern University Program Review Council, 2002-2005 (Chair, 2005)
  - Co-director, Financial Markets Research Center (2006-2011)
  - Acting Director, Guthrie Center for Real Estate, 2008-2009
  - Faculty senate, Finance Department representative
    - Budget Committee (Chair 2010-2012; member 2012-2013)
  - Senior Associate Dean, Faculty and Research, Sept. 2013 - present
  - Teaching: Derivatives Markets I, Derivatives Markets II, Taxation and Decision-Making, Corporate Finance, Doctoral Seminar on Continuous-Time Methods in Finance.

Outside Activities

- Editorial positions
  - Editor: *Review of Financial Studies*, editor (2002 - 2006)
  - Associate Editor: *Financial Management* (2000-2006), *Journal of Financial and Quantitative Analysis* (1992 - present), *Journal of Financial Intermediation* (2013 - present), *Journal of Finance* (2000 - 2003), *Management Science* (1992 - 1997), *Review of Financial Studies* (2000-2002), *Review of Futures Markets* (2010 - present), *The North-American Journal of Economics and Finance* (2010 - present), *International Journal of Portfolio Analysis & Management* (2011 - present)
- Research Associate, National Bureau of Economic Research, September, 1985 - 1996, 2014 - present
- TIAA-CREF Institute Fellow, 2014 - present
- Board of Directors, American Finance Association, 2010 - 2013
  - Fischer Black Prize Committee, 2010
- Board of Directors, Eris Exchange, 2011 - present
- External reviewer, USC Department of Finance and Business Economics, 2009.
- Financial Economists Roundtable, 2012 - present
- Research Associate, Federal Reserve Bank of Boston, August 1978 to August 1979.
- Consulting and Training
  - Chicago Board Options Exchange, derivatives training, 1986-2000
  - Valuemetrics, Inc., advisory board member and valuation consultant, 1986-2005
  - Deutsche Terminbörse, consultant, 1992
  - Director, "Portfolio Management with Derivative Securities", executive program run jointly with Morgan Stanley and Co., 1992 and 1994
  - Enron Corp., derivatives training program, 1993-95
  - AlliedSignal Corp., consultant on internal financial training, 1995
  - Irish Life of North America, derivatives training program, 1996
  - Hay Management Consultants, compensation valuation consulting, 1997

  - Options Clearing Corporation, consultant, 2001
  - Expert witness: US Dept of Justice, in Coltec Industries v US (01-72 T), 2004
  - Federal Reserve Bank of Chicago, Consultant, 2006 - present
  - Expert: Internal Revenue Service, in Tigers Eye Trading, LLC, Sentinel Advisors, LLC, Tax Matters Partner v. Commissioner of Internal Revenue (14510-05), 2007-2009
  - Advisor, US Dept of Treasury, Office of Financial Stability 2009

Honors, Grants, and Fellowships

- Phi Beta Kappa, 1975.
- National Science Foundation Graduate Fellowship
- Graham and Dodd Scroll (distinguished paper in Financial Analyst's Journal), Financial Analyst's Federation, 1985.
- Iddo Sarnat Prize (best paper in Journal of Banking and Finance), 1987.
- Smith-Breeden Prize (distinguished paper in Journal of Finance), 1990.
- Review of Financial Studies Prize (best paper in Review of Financial Studies), 1991.
- Lynde and Harry Bradley Foundation Research Grant, 1991-92
- Q-Group Research Grant, 1998.
- International Investment Forum Academic competition, first prize ("Cross-Border Investing with Tax Arbitrage: the Case of German Dividend Tax Credits"), 1999.
- European Finance Association, Best Symposium paper ("The Tax (Dis) Advantage Of A Firm Issuing Options On Its Own Stock"), 2002
- Keynote address, Midwest Finance Association, March 14, 2013

Publications

- McDonald, R. L. (2013a). Contingent capital with a dual price trigger. *Journal of Financial Stability*, 9(2):230–241
- Heaton, J. C., Lucas, D., and McDonald, R. L. (2010). Is mark-to-market accounting destabilizing? Analysis and implications for policy. *Journal of Monetary Economics*, 57(1):64–75
- McDonald, R. L. (2006). The role of real options in capital budgeting: Theory and practice. *Journal of Applied Corporate Finance*, 18(2):28–39

- Lucas, D. J. and McDonald, R. L. (2006). An options-based approach to evaluating the risk of Fannie Mae and Freddie Mac. *Journal of Monetary Economics*, 53(1):155–176

- McDonald, R. L. (2004). The tax (dis)advantage of a firm issuing options on its own stock. *Journal of Public Economics*, 88(5):925–955

- McDonald, R. L. (2001). Cross-border investing with tax arbitrage: the case of German dividend tax credits. *Review of Financial Studies*, 14(3):617–657

- Lucas, D. J. and McDonald, R. L. (1998). Shareholder heterogeneity, adverse selection, and payout policy. *Journal of Financial and Quantitative Analysis*, 33(2):233–253

- McDonald, R. L. and Schroder, M. D. (1998). A parity result for american options. *Journal of Computational Finance*, 1(3):5–13

- Korajczyk, R., Lucas, D., and McDonald, R. L. (1992). Equity issues with time-varying asymmetric information. *Journal of Financial and Quantitative Analysis*, 27(3):397–417

- Lucas, D. J. and McDonald, R. L. (1992). Bank financing and investment decisions with asymmetric information about loan quality. *Rand Journal of Economics*, 23(1):86–105

- Korajczyk, R., Lucas, D., and McDonald, R. L. (1991). The effect of information releases on the pricing and timing of equity issues. *Review of Financial Studies*, 4(4):685–708 (Winner of 1991 *Review of Financial Studies* best paper prize)

- Lucas, D. J. and McDonald, R. L. (1990). Equity issues and stock price dynamics. *Journal of Finance*, 45(4):1019–1043 (Winner of 1990 Smith-Breeden Prize for Distinguished Paper)

- Lucas, D. J. and McDonald, R. L. (1987). Bank portfolio choice with private information about loan quality: Theory and implications for regulation. *Journal of Banking and Finance*, 11:473–497 (Winner of 1987 Iddo Sarnat Prize)

- McDonald, R. L. and Siegel, D. (1986). The value of waiting to invest. *Quarterly Journal of Economics*, 101(4):707–727 (Reprinted in *Real Options and Investment Under Uncertainty: Classical Readings and Recent Contributions*, Eduardo Schwartz and Lenos Trigeorgis, eds, MIT Press (2001))

- Kane, A., Marcus, A. J., and McDonald, R. L. (1985). Debt policy and the rate of return premium to leverage. *Journal of Financial and Quantitative Analysis*, 20(4):479–499

- McDonald, R. L. and Siegel, D. R. (1985). Investment and the valuation of firms when there is an option to shut down. *International Economic Review*, 26(2):331–349
- Kane, A., Marcus, A. J., and McDonald, R. L. (1984). How big is the tax advantage to debt. *Journal of Finance*, 39(3):841–853
- McDonald, R. L. and Siegel, D. R. (1984). Option pricing when the underlying asset earns a below-equilibrium rate of return: A note. *Journal of Finance*, 39(1):261–265
- Bodie, Z., Kane, A., and McDonald, R. L. (1984). Why haven't nominal rates declined? *Financial Analysts Journal*, 40(2):16–27 (Winner, Graham and Dodd scroll)
- McDonald, R. L. (1983). Government debt and private leverage: An extension of the Miller theorem. *Journal of Public Economics*, 22:303–325

Comments, Book Chapters, and Others

- Brennan, T. J. and McDonald, R. L. (2015). The problematic delta test for dividend equivalents. *Tax Notes*, 146(4):525–532
- McDonald, R. L. (2013c). Measuring margin. In Brunnermeier, M. and Krishnamurthy, A., editors, *Risk Topography: Measuring Systemic Risk*. NBER
- Lucas, D. J. and McDonald, R. L. (2010). Valuing government guarantees: Fannie and Freddie revisited. In Lucas, D. J., editor, *Measuring and Managing Federal Financial Risk*, chapter 6, pages 131–161. University of Chicago Press
- McDonald, R. L. (2000). Real options and rules of thumb in capital budgeting. In Brennan, M. J. and Trigeorgis, L., editors, *Project Flexibility, Agency, and Competition: New Developments in the Theory and Application of Real Options*, chapter 2, pages 13–33. Oxford University Press, New York
- Shimko, D. and McDonald, R. L. (1997). A golden opportunity. *Risk*, 10(10):37
- McDonald, R. L. (1996). Speculating on an acquisition with options: Rjr nabisco. Casenet, Southwestern Publishing
- Hagerty, K. and McDonald, R. L. (1995). Brokerage, market fragmentation, and security market regulation. In Lo, A. W., editor, *Industrial Organization and Regulation of the Securities Industry*, pages 35–56. University of Chicago Press, Chicago, IL

- Korajczyk, R., Lucas, D., and McDonald, R. L. (1990). Understanding stock price behavior around the time of an equity issue. In Hubbard, R. G., editor, *Asymmetric Information, Corporate Finance, and Investment*, pages 257–277. University of Chicago Press, Chicago, IL
- May, R. C., McDonald, R. L., and Horn, B. V. (1990). Valuation issues in leveraged esops. *The Journal of Employee Ownership Law and Finance*, 2(1):99–121
- Bodie, Z., Kane, A., and McDonald, R. L. (1985). Inflation and the role of bonds in investor portfolios. In Friedman, B. M., editor, *Corporate Capital Structures in the United States*, pages 167–196. University of Chicago Press, Chicago, IL
- McDonald, R. L. and Siegel, D. R. (1983). A note on the design of commodity options contracts: Comment. *Journal of Futures Markets*, 3(1):43–46
- Review of *Options Pricing and Strategies in Investing*, by Richard M. Bookstaber; *Sloan Management Review*, Fall, 1982.
- Kimball, R. C. and McDonald, R. L. (1979). Inflation and the financing of new england commercial banks in the 1980's. *New England Economic Review*

Books

- McDonald, R. L. (2009). *Fundamentals of Derivatives Markets*. Pearson Publishing, Boston, MA
- McDonald, R. L. (2013b). *Derivatives Markets*. Pearson/Addison Wesley, Boston, MA, 3rd edition (first edition, 2003; second edition, 2006)

Working Papers

- "AIG in Hindsight" (with Anna Paulson)
- "Is it Optimal to Accelerate the Payment of Income Tax on Share-Based Compensation?"
- "Star Rankings and Optimal Asset Allocation" (with Tom Rietz)

Work in Process

- "Financial Product Taxation and the Debt/Equity Distinction" (with Tom Brennan)
- "The Economics of Option Trading" (with Paul Huck)

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